

**DUBUQUE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004**

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Dubuque Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September, 2003 Election)		
Steve Hodge	President	2005
Doug Horstmann	Vice-President	2004
Cammie Dean	Board Member	2005
Tom Barton	Board Member	2003
Donna Bauerly	Board Member	2003
Karen Behr	Board Member	2003
Ted Stieber	Board Member	2004

Board of Education (After September, 2003 Election)		
Doug Horstmann	President	2004
Karen Behr	Vice-President	2006
Cammie Dean	Board Member	2005
Donna Bauerly	Board Member	2006
Steve Hodge	Board Member	2005
Tom Barton	Board Member	2006
Ted Stieber	Board Member	2004

School Officials		
John Burgart	Superintendent	2005
Joni Lucas	District Secretary	2004
Janet Quick	District Treasurer	2004
Allan Carew	Attorney	Indefinite

Independent Auditors' Report

To the Board of Education of
Dubuque Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Dubuque Community School District, Dubuque, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Dubuque Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated September 15, 2004 on our consideration of Dubuque Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 6 through 20 and budgetary comparison information on pages 48 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dubuque Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed an unqualified opinion on the June 30, 2003 and 2002 financial statements. The financial statements for the year ended June 30, 2001 were issued with a qualified opinion because the general fixed assets were unaudited. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

JIM KIRCHER & ASSOCIATES, P.C.

Dubuque, Iowa
September 15, 2004

Dubuque Community School District

Management Discussion and Analysis

For Fiscal Year Ended June 30, 2004

Dubuque Community School District (the “District”) presents this discussion and analysis of its financial activities for the fiscal year ended June 30, 2004. The analysis focuses on the District’s financial performance taken as a whole. Please read it in conjunction with the financial statements that immediately follow this section.

Funding levels for Iowa K-12 school districts depend on two factors. First, changes in enrollment and second, changes in “Per Pupil District Cost.” Per Pupil District Cost is an amount annually set by state government. This amount has historically been determined by applying a percentage increase to the prior year’s amount. The percentage amount has ranged from a low of 1% to a high of 4% over the past five years. The percentage amount has a substantial impact on district-funding levels.

The District’s enrollment has grown considerably during the past three years, with the largest growth, 302 students (3%), occurring in 2004. For the three years ending September 30, 2004, the District added 745 students to its population. This is an 8% increase over the student population in 2001. Educating this number of additional students has created substantial budget pressures on the District.

The current fiscal year was the first collection year of the Dubuque County Local Option Sales Tax. The District receives approximately 81% of countywide collections. This percentage allocation is based on the number of students residing in the District compared to the total number of students residing in all districts within Dubuque County. The District collected \$7.5 million from this source for the year ended June 30, 2004. The tax is scheduled to expire on June 30, 2013. Sales tax receipts can be used only for school infrastructure purposes and are critical to the improvement, additions and maintenance of District instructional facilities.

Sales tax revenues are used principally to reduce student overcrowding in District buildings. The School Board’s top four expenditure priorities for the sales tax revenues are: construction of a new middle school, construction of a new downtown elementary school to replace Prescott School, renovation of Stephen Hempstead High School, and improvement of District facilities in order to comply with the Americans with Disabilities Act.

The Board elected to begin the District building program rapidly by using current proceeds and by borrowing monies, to be repaid with future sales tax receipts. The borrowings took the form of a July 2003 issuance of \$7 million of Bond Anticipation Notes and \$17 million of Sales Tax Revenue Bonds issued on October 1, 2004. \$7 million of the October 1, 2004 bond issue proceeds were used to repay the Bond Anticipation Notes. These borrowings enabled the District to immediately begin construction of the new middle school as well as the downtown elementary school. The Hempstead High School renovation was also started. The new middle school is scheduled for completion in August of 2005, the new downtown elementary school is scheduled for completion in August of 2006, and a new elementary school to be located in the city’s west-end is scheduled for completion in August 2007.

Dubuque Community School District

Management Discussion and Analysis

For Fiscal Year Ended June 30, 2004

Overview of the Financial Statements

This report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information.

The basic financial statements include two types of statements that present different views of the District:

1. The first statement type includes *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
2. The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
 - The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - *Proprietary funds statements* offer short-term and long-term financial information about the business activities the District operates, such as food services.
 - *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

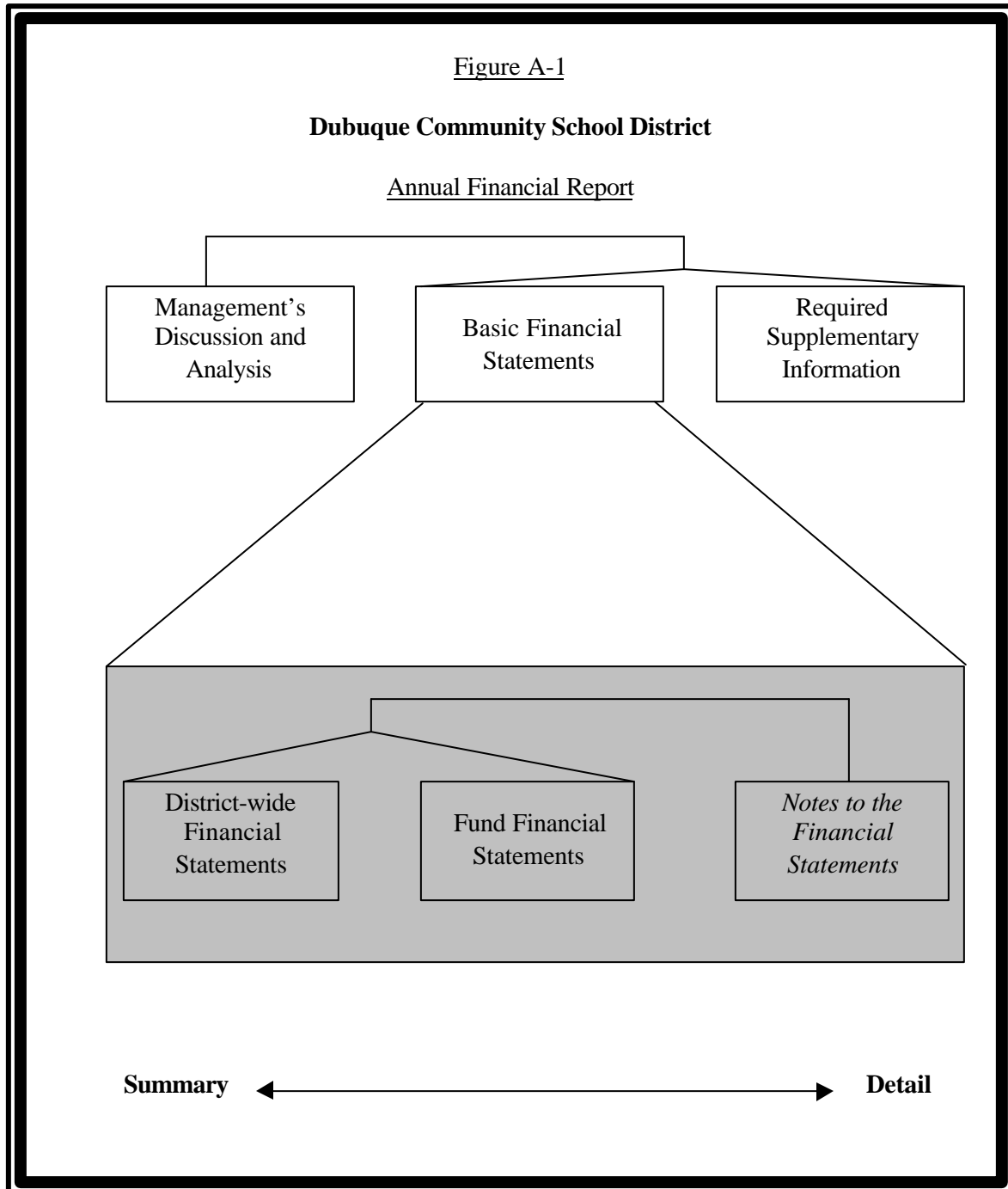
The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of that year's District budget.

Dubuque Community School District

Management Discussion and Analysis

For Fiscal Year Ended June 30, 2004

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.



Dubuque Community School District

Management Discussion and Analysis

For Fiscal Year Ended June 30, 2004

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section highlights the structure and contents of each of the statements.

Figure A-2: Major Features of the District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Activities the district operates similar to private businesses: food service is included here.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Dubuque Community School District

Management Discussion and Analysis

For Fiscal Year Ended June 30, 2004

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are indicators of whether financial position is improving or deteriorating.
- To assess the District's overall health, non-financial factors also need to be considered such as changes in the District's property-tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into the following two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's food service program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. The criteria for major fund designation are found in GASB Statement 34. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law or by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

Dubuque Community School District

Management Discussion and Analysis

For Fiscal Year Ended June 30, 2004

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds which generally focus on (1) how cash, and other financial assets that can be readily converted to cash, are received and expended and (2) the amount of year-end balances that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are fewer, or more, financial resources that can be spent in the near future to finance the District's programs. Because the Fund Financial Statements do not encompass the additional long-term focus of the District-wide Financial Statements, additional information included in the exhibits, explains the relationships or differences between the two statements.
- The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and the Permanent Funds.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
- The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as (1) employee hospitality funds (the District accounts for the revenue collected for District employee purchases of pop and related expenditures in this fund) and (2) scholarship funds (the District accounts for outside donations for scholarships for individual students in this fund).

The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets are entrusted. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Dubuque Community School District

Management Discussion and Analysis

For Fiscal Year Ended June 30, 2004

District-Wide Financial Analysis

Net assets:

Figure A-3: Condensed Statement of Net Assets as of June 30

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2004
	2003	2004	2003	2004	2003	2004	
Current and other							
Assets	\$47,052,956	\$49,879,125	\$1,072,550	\$790,518	\$48,125,506	\$50,669,643	5.3%
Capital assets	24,793,170	29,430,636	248,507	487,797	25,041,677	29,918,433	19.5%
Total Assets	\$71,846,126	\$79,309,761	\$1,321,057	\$1,278,315	\$73,167,183	\$80,588,076	10.1%
Current liabilities	\$38,797,549	\$38,783,323	\$ 107,797	\$27,494	\$38,905,346	38,810,817	-.2%
Long-term liabilities	356,945	1,692,308	-	-	356,945	1,692,308	374.1%
Total Liabilities	\$39,154,494	\$40,475,631	\$ 107,797	\$27,494	\$39,262,291	\$40,503,125	3.2%
Net assets							
Invested in capital							
Assets, net of							
Related debt	\$24,793,170	\$28,108,806	\$ 248,507	\$487,797	\$25,041,677	\$28,596,603	14.2%
Restricted	168,460	2,161,357	-	-	168,460	2,161,357	1183.0%
Unrestricted	7,730,002	8,563,967	964,753	763,024	8,694,755	9,326,991	7.3%
Total Net Assets	\$32,691,632	\$38,834,130	\$1,213,260	\$1,250,821	\$33,904,892	\$40,084,951	18.2%

The District's improved financial position is the result of several factors. Total Governmental Activities assets increased by \$7.5 million in 2004. This is the result of first-year collection of local option sales tax. The District collected \$7.6 million from this source. The majority of these funds were invested in capital assets or were held in cash and investments on June 30, 2004. The increase in long-term liabilities resulted from the issuance of Bond Anticipation Notes.

Dubuque Community School District

Management Discussion and Analysis

For Fiscal Year Ended June 30, 2004

Figure A-4: Changes in Net Assets from Operating Results

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2003-04
	2003	2004	2003	2004	2003	2004	
Revenues							
Program Revenues							
Charges for services	\$ 3,640,096	\$ 3,341,518	\$ 1,825,395	\$ 1,922,552	\$ 5,465,491	\$ 5,264,070	-3.7%
Operating Grants & Contributions	9,143,091	8,891,172	1,356,224	1,488,839	10,499,315	10,380,011	-1.1%
Capital Grants & Contributions	393,958	919,717	-	-	393,958	919,717	133.5%
General Revenues							
Property taxes & other taxes	28,530,869	36,562,090	-	-	28,530,869	36,562,090	28.1%
State formula aid	33,786,227	34,737,450	-	-	33,786,227	34,737,450	2.8%
Other	1,655,343	1,448,732	13,403	10,029	1,668,746	1,458,761	-12.6%
Total Revenues	\$ 77,149,584	\$ 85,900,679	\$ 3,195,022	\$ 3,421,420	\$ 80,344,606	\$ 89,322,099	11.2%
Expenses							
Instruction	\$ 45,653,641	\$ 50,509,332	\$ -	\$ -	\$ 45,653,641	\$ 50,509,332	10.6%
Support Services							
Student & Instructional Services	7,295,297	7,498,821	-	-	7,295,297	7,498,821	2.8%
Administrative & Business	5,654,792	6,603,806	-	-	5,654,792	6,603,806	16.8%
Maintenance & Operations	6,161,272	6,422,972	-	-	6,161,272	6,422,972	4.2%
Transportation	2,714,774	3,003,369	-	-	2,714,774	3,003,369	10.6%
Central Support	1,018,655	1,221,584	-	-	1,018,655	1,221,584	19.9%
Non-instructional	220,954	245,163	3,158,267	3,383,859	3,379,221	3,629,022	7.4%
Other	3,890,458	4,253,134	-	-	3,890,458	4,253,134	9.3%
Total Expenses	\$ 72,609,843	\$ 79,758,181	\$ 3,158,267	\$ 3,383,859	\$ 75,768,110	\$ 83,142,040	9.7%
Increase (decrease) in net assets	\$ 4,539,741	\$ 6,142,498	\$ 36,755	\$ 37,561	\$ 4,576,496	\$ 6,180,059	35.0%

Dubuque Community School District

Management Discussion and Analysis

For Fiscal Year Ended June 30, 2004

Governmental Activities

Total District governmental activities revenues increased by \$8.8 million (11.3%) in 2004. Net assets increased \$6,142,498 (18.8%).

Governmental activities revenues from capital grants and contributions increased by \$526,000 in 2004. This is primarily the result of receiving a Fire Life Safety Grant in the amount of \$234,000 and a Harkin Grant in the amount of \$275,000. These funds were used to install elevators in Bryant and Fulton Elementary Schools and a sprinkler system in Stephen Hempstead High School.

Governmental activities revenues from property and other taxes increased by \$8 million in 2004 primarily because this was the first year of the collection of the Local Option Sales Tax. The District collected approximately \$7.6 million from that source in 2004. Governmental activities instruction expenses increased by \$4.9 million dollars, principally due to general salary and benefit increases in teacher and other salaries, and from staffing increases caused by the growth in student population.

The following table presents the cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5: Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change 2003-04	Net Cost of Services		Percentage Change 2003-04
	2003	2004		2003	2004	
Instruction	\$ 45,653,641	\$ 50,509,332	10.6%	\$ 36,368,791	\$ 41,881,445	15.2%
Support Services						
Student & Instructional						
Services	7,295,297	7,498,821	2.8%	7,050,028	7,266,736	3.1%
Administrative & Business	5,654,792	6,603,806	16.8%	5,564,737	6,589,806	18.4%
Maintenance & Operations	6,161,272	6,422,972	4.2%	6,161,272	5,913,189	-4.0%
Transportation	2,714,774	3,003,369	10.6%	2,685,138	2,586,413	-3.7%
Central Support	1,018,655	1,221,584	19.9%	829,153	1,182,800	42.7%
Non-instructional	220,954	245,163	11.0%	220,954	166,095	-24.8%
Other	3,890,458	4,253,134	9.3%	552,625	1,019,290	84.4%
TOTAL	\$ 72,609,843	\$ 79,758,181	9.8%	\$ 59,432,698	\$ 66,605,774	12.1%

Dubuque Community School District

Management Discussion and Analysis

For Fiscal Year Ended June 30, 2004

- The portion of the total cost of services financed by users of the District's programs was \$3,341,518.
- The federal and state government and private contributors subsidized certain programs with grants and contributions totaling \$8,891,172.
- The net cost portion of governmental activities was financed with \$29,001,996 in property tax, \$34,737,450 in state foundation aid and \$180,465 in interest income plus other miscellaneous revenue.

Net Cost of Governmental Activities

The total cost of governmental activities for 2004 was \$79,758,181, a \$7.1 million dollar increase over the previous year. Approximately 70% of this increase occurred in the instruction area. Total and net cost of instruction services increased primarily due to increased cost of wages and benefits due to labor agreement settlements and the cost of additional instructional personnel required due to the increase in student population.

Business-Type Activities

The District's only business-type activity is the School Nutrition Fund.

Revenues from this activity were comprised of charges for services, federal and state reimbursements and investment income.

- Nutrition Fund revenues increased by \$266,398 (7.09%) primarily due to an increase in lunch prices. Prices increased approximately 2.67 percent for the fiscal year ended June 30, 2004.
- Nutrition Fund expenses increased by \$225,592 (7.14%).

Individual-Fund Financial Analysis

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds balances. At year-end, its governmental funds reported combined fund balances of \$11,096,815, substantially above last year's ending fund balances of \$8,255,407. The increase is primarily due to the collection of Local Option Sales Tax in excess of expenditures.

Dubuque Community School District

Management Discussion and Analysis

For Fiscal Year Ended June 30, 2004

Governmental Fund Highlights

- The General Fund balance decreased \$1,160,748. This is largely the result of the \$980,000 mid-year reduction in state aid.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased \$417,915 due largely to \$490,000 proceeds from the sale of land in the town of Asbury.
- The Management Fund remained relatively stable in the current year.
- The Activity Fund also remained relatively stable in the current year.
- Sales Tax fund increased \$3,615,513 due to 2004 being the first year of collection for the Local Option Sales Tax and from the issuance of \$1,320,817 of Bond Anticipation Notes. 2004 sales tax revenues exceeded expenditures.

Proprietary Fund Highlights

- The School Nutrition Fund balance increased nominally by \$37,561.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget, following required public notice and hearing, for all funds except internal service funds. This budget is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures.

In October of 2003, the District received notification that the state's governor had imposed a 2.5% across-the-board reduction in state aid and other state funds. This action resulted in a \$980,000 reduction of anticipated District revenues. The District took action to reduce its budgeted expenditures by \$716,000. The remaining amount of revenue shortfall was covered by District reserves.

In May 2004, the District amended its certified budget to reflect Nutrition Fund expenditures that were not budgeted. The amount of the amendment was \$750,000.00.

School districts have three levels of budgetary control. One form exists through the "certified budget", which includes all funds of the District as noted above. This budget is annually certified to the County Auditor and Department of Management. Iowa school districts may not certify the general fund portion of the certified budget in excess of its Total Spending Authority. Total Spending Authority is the sum of Combined District Cost, miscellaneous income and Unspent Balance. Combined District Cost is defined in state statutes and depends principally on per-pupil district cost (set by the state) and certified enrollment. Unspent Balance is Total Spending Authority not used in prior years. Miscellaneous income is generally all income other than taxes and state aid.

Dubuque Community School District

Management Discussion and Analysis

For Fiscal Year Ended June 30, 2004

The second level of budgetary control is its “Unspent (maximum) Authorized Budget” and pertains only to the District’s General Fund. The maximum authorized budget is the total “spending authority” in the General Fund of the District. Spending authority is a budgetary concept and does not mean actual General Fund cash. It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary concept and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

The third level of budgetary control is management control exercised through the use of a “line-item” budget. This management budget is allocated to each District general ledger account. Individual departments, grant administrators, and other instructional and non-instructional areas are held accountable for their expenditures, through the use of this budget.

The District’s certified budget was exceeded in the instruction and support services functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

Capital Assets and Debt Administration

Capital Assets

By the end of fiscal 2004, the District had invested \$29,918,433, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment, and administrative offices. (See Figure A-6) This amount represents a 19 percent increase from the prior year. This year, the District began a four-year process of taking a physical inventory of all the District’s fixed assets. This will be done on a building-by-building basis over that period and once completed the cycle will be repeated. During this physical inventory process, the District will be eliminating from its records, assets that no longer exist. This write-off will be reported as a line item on Exhibit F. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$2,120,939.

Dubuque Community School District

Management Discussion and Analysis

For Fiscal Year Ended June 30, 2004

Figure A-6: Capital Assets (net of depreciation, in millions of dollars)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2003-2004
	2003	2004	2003	2004	2003	2004	
Land and improvements	\$4,269,608	\$4,683,533	-	-	\$4,269,608	\$4,683,533	9.7%
Construction in Progress	3,072,721	4,673,842	-	-	3,072,721	4,673,842	52.1%
Buildings and improvements	8,967,236	12,955,948	-	-	8,967,236	12,955,948	44.5%
Equipment	7,002,836	5,630,029	\$ 248,507	\$487,797	7,251,343	6,117,826	-15.6%
Vehicles	1,480,769	1,487,284	-	-	1,480,769	1,487,284	.4%
Total	\$24,793,170	\$29,430,636	\$ 248,507	\$487,797	\$25,041,677	\$29,918,433	19.5%

The District currently has a bus replacement plan whereby it purchases eight school buses each year. Six of these buses are purchased by the Physical Plant and Equipment Levy Fund and two are purchased using Instructional Support Levy Funds. Total cost for all eight buses in fiscal 2003 was \$502,684.

Nutrition Fund made significant improvements to food service facilities at Hempstead High School and Dubuque Senior High School in summer 2003. Total cost of these projects was approximately \$251,200.

Long-Term Debt

At June 30, 2004, the District had \$1,320,817 Bond Anticipation Note (long-term) and other debt outstanding. The District had no debt outstanding at the end of the previous fiscal year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of five existing circumstances that could significantly affect its future financial health:

- Dubuque's certified teaching staff is represented by the Dubuque Education Association (DEA). The DEA represents teachers whose salaries and benefits comprise \$44,014,765, (56.2 percent) of all General Fund expenditures. Settlements with the DEA have tended to set the trend for agreements with other employee groups in the District. Settlements with employee groups that exceed the rate of growth of state funding generally have an adverse impact on the District's General Fund budget.

Dubuque Community School District

Management Discussion and Analysis

For Fiscal Year Ended June 30, 2004

- District certified enrollment increased by 302 students (3.0%) in fiscal year 2003-2004. Under Iowa's school finance formula, District funding is highly dependent upon District enrollment. Future enrollment stability or growth is a critical element in maintaining a sound District financial position.
- The District continues with an ambitious building program that started in fiscal year 2004. The initial project was a new middle school followed shortly by a new downtown elementary school, substantial renovations to Hempstead High School and other projects. These projects are funded by bank loans, bond proceeds, Physical Plant and Equipment Levy funds, and current receipts of Local Option Sales Tax. In conjunction with its issuance of Sales Tax Revenue Bonds, the district applied for and received an A3 Moody's rating. The District's financial advisor believes this is a favorable rating for the District.
- The voter-approved Physical Plant and Equipment Levy (PPEL) is used to maintain, improve and construct District infrastructure. Before passage of the Local Option Sales Tax in December 2002, the Physical Plant and Equipment Levy was the only funding available to maintain District facilities.

Dubuque Community School District voters passed the 67¢ PPEL Levy in 1996. The levy will be in effect for ten years with the last year ending on June 30, 2007. Although sales tax revenues are currently funding facilities expansion for the District's rapidly growing student body, the PPEL Levy is needed to maintain existing facilities. The voted PPEL Levy generates approximately \$1.5 million per year for infrastructure maintenance and computer equipment purchases.

- The Instructional Support Levy (ISL) is used to support a variety of educational programs including the following:
 - Full-day, everyday kindergarten in each elementary school.
 - Grades K-3 class-size reduction.
 - Upgrading outdated equipment in classrooms, science labs, industrial technology, print centers, and the transportation department.
 - Restore site-based funding that has been lost in prior years.

The current 5% ISL was approved by Dubuque Community School District voters on December 12, 2000. The levy was first effective for the fiscal year 2002 and is scheduled to expire on June 30, 2011. This levy is critical to the existence of the above programs. Without it, it is probable these programs will not exist. The Instructional Support Levy generates \$2 million per year for District educational programs of which approximately 9% comes from State Aid.

Dubuque Community School District

Management Discussion and Analysis

For Fiscal Year Ended June 30, 2004

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ronald H. Holm, Executive Director of Finance and Business Services, Dubuque Community School District, 2300 Chaney Road, Dubuque, Iowa 52001.

Basic Financial Statements

Dubuque Community School District

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 15,552,540	\$ 709,530	\$ 16,262,070
Receivables:			
Property tax:			
Delinquent	334,492	-	334,492
Succeeding year	30,961,940	-	30,961,940
Accounts	20,243	-	20,243
Due from other governments	2,594,144	16,277	2,610,421
Inventories	415,766	64,711	480,477
Capital assets, net of accumulated depreciation	29,430,636	487,797	29,918,433
Total assets	\$ 79,309,761	\$ 1,278,315	\$ 80,588,076
Liabilities			
Accounts payable	\$ 688,031	\$ 803	\$ 688,834
Salaries and benefits payable	6,257,340	-	6,257,340
Early retirement payable	769,175	-	769,175
Accrued interest payable	1,013	-	1,013
Deferred revenue:			
Succeeding year property tax	30,961,940		30,961,940
Other	105,824	26,691	132,515
Long-term liabilities:			
Portion due within one year:			
Compensated absences	371,491	-	371,491
Portion due after one year:			
Revenue bonds payable	1,320,817	-	1,320,817
Total liabilities	\$ 40,475,631	\$ 27,494	\$ 40,503,125
Net assets			
Invested in capital assets, net of related debt	\$ 28,108,806	\$ 487,797	\$ 28,596,603
Restricted for:			
Management levy	738,438	-	738,438
Physical plant and equipment levy	788,334	-	788,334
Other special revenue purposes	634,585	-	634,585
Unrestricted	8,563,967	763,024	9,326,991
Total net assets	\$ 38,834,130	\$ 1,250,821	\$ 40,084,951

See notes to financial statements.

Dubuque Community School District

Statement of Activities
Year ended June 30, 2004

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 29,171,543	\$ 338,310	\$ 2,965,588	\$ 265,382	\$ (25,602,263)	\$ -	\$ (25,602,263)
Special instruction	13,554,305	1,079,761	1,861,629	-	(10,612,915)	-	(10,612,915)
Other instruction	7,783,484	1,893,036	79,629	144,552	(5,666,267)	-	(5,666,267)
	<u>\$ 50,509,332</u>	<u>\$ 3,311,107</u>	<u>\$ 4,906,846</u>	<u>\$ 409,934</u>	<u>\$ (41,881,445)</u>	<u>\$ -</u>	<u>\$ (41,881,445)</u>
Support services:							
Student services	\$ 3,843,081	\$ -	\$ 64,786	\$ -	\$ (3,778,295)	\$ -	\$ (3,778,295)
Instructional staff services	3,655,740	-	167,299	-	(3,488,441)	-	(3,488,441)
Administration services	6,603,806	-	14,000	-	(6,589,806)	-	(6,589,806)
services	6,422,972	-	-	509,783	(5,913,189)	-	(5,913,189)
Transportation services	3,003,369	30,411	386,545	-	(2,586,413)	-	(2,586,413)
Central support services	1,221,584	-	38,784	-	(1,182,800)	-	(1,182,800)
	<u>\$ 24,750,552</u>	<u>\$ 30,411</u>	<u>\$ 671,414</u>	<u>\$ 509,783</u>	<u>\$ (23,538,944)</u>	<u>\$ -</u>	<u>\$ (23,538,944)</u>
Non-instructional programs	<u>\$ 245,163</u>	<u>\$ -</u>	<u>\$ 79,068</u>	<u>\$ -</u>	<u>\$ (166,095)</u>	<u>\$ -</u>	<u>\$ (166,095)</u>
Other expenditures:							
AEA flowthrough	\$ 3,233,844	\$ -	\$ 3,233,844	\$ -	\$ -	\$ -	\$ -
Depreciation (unallocated) *	1,019,290	-	-	-	(1,019,290)	-	(1,019,290)
	<u>\$ 4,253,134</u>	<u>\$ -</u>	<u>\$ 3,233,844</u>	<u>\$ -</u>	<u>\$ (1,019,290)</u>	<u>\$ -</u>	<u>\$ (1,019,290)</u>
Total governmental activities	<u>\$ 79,758,181</u>	<u>\$ 3,341,518</u>	<u>\$ 8,891,172</u>	<u>\$ 919,717</u>	<u>\$ (66,605,774)</u>	<u>\$ -</u>	<u>\$ (66,605,774)</u>
Business-type activities:							
Non-instructional programs:							
Nutrition services	\$ 3,383,859	\$ 1,922,552	\$ 1,488,839	\$ -	\$ -	\$ 27,532	\$ 27,532
Total	<u>\$ 83,142,040</u>	<u>\$ 5,264,070</u>	<u>\$ 10,380,011</u>	<u>\$ 919,717</u>	<u>\$ (66,605,774)</u>	<u>\$ 27,532</u>	<u>\$ (66,578,242)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 25,066,047	\$ -	\$ 25,066,047
Capital outlay					3,935,949	-	3,935,949
Local option sales tax					7,560,094	-	7,560,094
Unrestricted state grants					35,135,131	-	35,135,131
Unrestricted investment earnings					180,465	10,029	190,494
Gain on sale of property					211,230	-	211,230
Miscellaneous					659,356	-	659,356
Total general revenues					<u>\$ 72,748,272</u>	<u>\$ 10,029</u>	<u>\$ 72,758,301</u>
Change in net assets					\$ 6,142,498	\$ 37,561	\$ 6,180,059
Net assets beginning of year					<u>\$ 32,691,632</u>	<u>\$ 1,213,260</u>	<u>\$ 33,904,892</u>
Net assets end of year					<u>\$ 38,834,130</u>	<u>\$ 1,250,821</u>	<u>\$ 40,084,951</u>

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

Dubuque Community School District

Balance Sheet
Governmental Funds

June 30, 2004

	General	Local Option Sales Tax	Other Nonmajor Funds	Total
Assets				
Cash	\$ 10,252,941	\$ 2,401,264	\$ 2,898,335	\$ 15,552,540
Receivables:				
Property tax:				
Delinquent	288,652	-	45,840	334,492
Succeeding year	26,965,556	-	3,996,384	30,961,940
Accounts	20,243	-	-	20,243
Due from other governments	1,303,065	1,291,079	-	2,594,144
Inventories	415,766	-	-	415,766
Total assets	\$ 39,246,223	\$ 3,692,343	\$ 6,940,559	\$ 49,879,125
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 621,431	\$ 60,901	\$ 5,699	\$ 688,031
Salaries and benefits payable	6,257,340	-	-	6,257,340
Early retirement payable	-	-	769,175	769,175
Deferred revenue:				
Succeeding year property tax	26,965,556	-	3,996,384	30,961,940
Other	97,880	-	7,944	105,824
Total liabilities	\$ 33,942,207	\$ 60,901	\$ 4,779,202	\$ 38,782,310
Fund balances:				
Reserved for:				
Inventories	\$ 415,766	\$ -	\$ -	\$ 415,766
Salary and improvement	10,850	-	-	10,850
Phase III	98,139	-	-	98,139
Medicare claims	38,594	-	-	38,594
Student activities	-	-	634,585	634,585
Unreserved:				
Designated for capital projects	-	3,631,442	-	3,631,442
Undesignated:	4,740,667	-	1,526,772	6,267,439
Total fund balances	\$ 5,304,016	\$ 3,631,442	\$ 2,161,357	\$ 11,096,815
Total liabilities and fund balances	\$ 39,246,223	\$ 3,692,343	\$ 6,940,559	\$ 49,879,125

See notes to financial statements.

Dubuque Community School District
Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (page 24)	\$	11,096,815
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		29,430,636
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(1,013)
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Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Compensated absences	(371,491)		
Bonds payable	<u>(1,320,817)</u>	<u>(1,692,308)</u>	

Net assets of governmental activities (page 22)	\$	<u><u>38,834,130</u></u>
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See notes to financial statements.

Dubuque Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2004

	General	Local Option Sales Tax	Other Nonmajor Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 25,028,794	\$ 7,560,094	\$ 3,973,201	\$ 36,562,089
Tuition	1,236,803	-	-	1,236,803
Other	1,512,277	22,504	1,732,330	3,267,111
State sources	41,325,639	-	23,326	41,348,965
Federal sources	2,764,698	-	509,783	3,274,481
Total revenues	<u>\$ 71,868,211</u>	<u>\$ 7,582,598</u>	<u>\$ 6,238,640</u>	<u>\$ 85,689,449</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 27,474,795	\$ -	\$ 1,119,630	\$ 28,594,425
Special instruction	13,290,321	-	-	13,290,321
Other instruction	6,150,099	-	1,523,824	7,673,923
	<u>\$ 46,915,215</u>	<u>\$ -</u>	<u>\$ 2,643,454</u>	<u>\$ 49,558,669</u>
Support services:				
Student services	\$ 3,704,583	\$ -	\$ 48,768	\$ 3,753,351
Instructional staff services	3,553,090	-	26,190	3,579,280
Administration services	5,883,404	-	581,921	6,465,325
Operation and maintenance of plant services	6,096,635	-	141,106	6,237,741
Transportation services	2,444,137	-	562,377	3,006,514
Central support services	1,033,807	-	116,424	1,150,231
	<u>\$ 22,715,656</u>	<u>\$ -</u>	<u>\$ 1,476,786</u>	<u>\$ 24,192,442</u>
Non-instructional programs	\$ 178,188	\$ -	\$ 57,937	\$ 236,125
Other expenditures:				
Facilities acquisition	\$ -	\$ 5,286,181	\$ 2,165,091	\$ 7,451,272
AEA flowthrough	3,233,844	-	-	3,233,844
	<u>\$ 3,233,844</u>	<u>\$ 5,286,181</u>	<u>\$ 2,165,091</u>	<u>\$ 10,685,116</u>
Total expenditures	<u>\$ 73,042,903</u>	<u>\$ 5,286,181</u>	<u>\$ 6,343,268</u>	<u>\$ 84,672,352</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (1,174,692)	\$ 2,296,417	\$ (104,628)	\$ 1,017,097
Other financing sources:				
Sales of property and equipment	13,944	-	489,550	503,494
Operating transfers in	-	-	1,721	1,721
Operating transfers out	-	(1,721)	-	(1,721)
Revenue bonds issued	-	1,320,817	-	1,320,817
Net change in fund balances	<u>\$ (1,160,748)</u>	<u>\$ 3,615,513</u>	<u>\$ 386,643</u>	<u>\$ 2,841,408</u>
Fund balances beginning of year	<u>6,464,764</u>	<u>15,929</u>	<u>1,774,714</u>	<u>8,255,407</u>
Fund balances end of year	<u>\$ 5,304,016</u>	<u>\$ 3,631,442</u>	<u>\$ 2,161,357</u>	<u>\$ 11,096,815</u>

See notes to financial statements

Dubuque Community School District
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
to the Statement of Activities

Year ended June 30, 2004

Net change in fund balances - total governmental funds (page 26) **\$ 2,841,408**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 9,520,642	
Depreciation expense	<u>(2,061,652)</u>	7,458,990

Proceeds from the sale of property and equipment are reported in the governmental funds, however in the statement of activities it is netted against the book value of the assets being deleted and only the gain portion is recognized (292,264)

Net book value of assets retired this year (2,529,260)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Current year issues were as follows:

Issued	(1,320,817)
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (1,013)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(14,546)
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Change in net assets of governmental activities (page 23)	<u>\$ 6,142,498</u>
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See notes to financial statements

Dubuque Community School District

**Statement of Net Assets
Proprietary Fund**

Year ended June 30, 2004

	<u>School Nutrition</u>
Assets:	
Cash	\$ 709,530
Due from other governments	16,277
Inventories	64,711
Capital assets, net of accumulated depreciation	<u>487,797</u>
Total assets	<u>\$ 1,278,315</u>
Liabilities	
Accounts payable	\$ 803
Deferred revenue	<u>26,691</u>
Total liabilities	<u>\$ 27,494</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 487,797
Unrestricted	<u>763,024</u>
Total net assets	<u>\$ 1,250,821</u>

See notes to financial statements.

Dubuque Community School District
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
Year ended June 30, 2004

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for service	\$ 1,922,552
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 1,060,628
Benefits	319,058
Purchased services	137,823
Supplies	1,807,063
Depreciation	59,287
Total operating expenses	\$ 3,383,859
Operating loss	\$ (1,461,307)
Non-operating revenue:	
State sources	\$ 43,185
Federal sources	1,445,654
Interest on investments	10,029
Total non-operating revenue	\$ 1,498,868
Change in net assets	\$ 37,561
Net assets beginning of year	1,213,260
Net assets end of year	\$ 1,250,821

See notes to financial statements.

Dubuque Community School District

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2004

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 1,876,413
Cash received from miscellaneous operating activities	45,033
Cash payments to employees for services	(1,379,656)
Cash payments to suppliers for goods or services	<u>(1,768,561)</u>
Net cash used in operating activities	<u>\$ (1,226,771)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 43,185
Federal grants received	<u>1,237,273</u>
Net cash provided by non-capital financing activities	<u>\$ 1,280,458</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ (298,576)</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 10,029</u>
Net decrease in cash and cash equivalents	\$ (234,860)
Cash and cash equivalents at beginning of year	<u>944,390</u>
Cash and cash equivalents at end of year	<u><u>\$ 709,530</u></u>

Dubuque Community School District

**Statement of Cash Flows
Proprietary Fund**

Year ended June 30, 2004

School Nutrition

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ (1,461,307)
Adjustments to reconcile operating loss to net cash used in operation activities:	
Commodities used	207,456
Depreciation	59,287
Decrease in inventories	48,098
(Decrease) in interfund payable	(76,670)
(Decrease) in accounts payable	(2,528)
(Decrease) in deferred revenue	(1,107)
Net cash used in operating activities	<u>\$ (1,226,771)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received
\$207,456 of federal commodities.

See notes to financial statements.

Dubuque Community School District

**Statement of Fiduciary Net Assets
Fiduciary Funds**

June 30, 2004

	<u>Private Purpose Trust</u> <u>Scholarship</u>	<u>Agency</u>
Assets		
Cash	<u>\$ 79,328</u>	<u>\$ 14,911</u>
Liabilities		
Other payables	<u>\$ -</u>	<u>\$ 14,911</u>
Net Assets		
Reserved for scholarships	<u>\$ 79,328</u>	<u>\$ -</u>

See notes to financial statements.

Dubuque Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2004

Private Purpose Trust				
Trust	Scholarships			
Prescott Elementary Trust	Dubuque Senior High School Scholarships	Stephen Hempstead High School Scholarships	Total	
Additions:				
Local sources:				
Other local sources	\$ -	\$ 4,233	\$ 1,450	\$ 5,683
Interest on investments	193	637	479	1,309
Total revenues	<u>\$ 193</u>	<u>\$ 4,870</u>	<u>\$ 1,929</u>	<u>\$ 6,992</u>
Deductions:				
Instruction:				
Regular instruction:				
Other	\$ -	\$ 4,153	\$ 2,000	\$ 6,153
Change in net assets	\$ 193	\$ 717	\$ (71)	\$ 839
Net assets beginning of year	<u>11,790</u>	<u>36,306</u>	<u>30,393</u>	<u>78,489</u>
Net assets end of year	<u><u>\$ 11,983</u></u>	<u><u>\$ 37,023</u></u>	<u><u>\$ 30,322</u></u>	<u><u>\$ 79,328</u></u>

See notes to financial statements.

Dubuque Community School District

Notes to Financial Statements

June 30, 2004

Note: 1 Summary of Significant Accounting Policies

Dubuque Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Dubuque, Iowa, portions of Dubuque County and Jackson County, Iowa. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Dubuque Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Dubuque Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the City of Dubuque and Dubuque Assessor's Conference Board.

B. Basis of Presentation

District-wide financial statements - The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

Dubuque Community School District

Notes to Financial Statements

June 30, 2004

Note 1: Summary of Significant Accounting Policies: (continued)

B. Basis of Presentation: (continued)

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund – Local Option Sales Tax is used to account for all resources used in the acquisition and construction of capital facilities.

Dubuque Community School District

Notes to Financial Statements

June 30, 2004

Note 1: Summary of Significant Accounting Policies: (continued)

B. Basis of Presentation: (continued)

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private-purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The District-wide proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Dubuque Community School District

Notes to Financial Statements

June 30, 2004

Note 1: Summary of Significant Accounting Policies: (continued)

C. Measurement Focus and Basis of Accounting: (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash and Cash Equivalents – The cash balances of most District funds are pooled and invested.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Dubuque Community School District

Notes to Financial Statements

June 30, 2004

Note 1: Summary of Significant Accounting Policies: (continued)

D. Assets, Liabilities and Fund Equity: (continued)

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. District machinery and equipment with a cost of more than \$1,500 will be capitalized. The Nutrition Fund equipment is capitalized with a cost of more than \$500.

Dubuque Community School District

Notes to Financial Statements

June 30, 2004

Note 1: Summary of Significant Accounting Policies: (continued)

D. Assets, Liabilities and Fund Equity: (continued)

Property, furniture and equipment are depreciated using the straight-line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements to buildings and sites	20 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements for all employees. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term obligations – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Dubuque Community School District

Notes to Financial Statements

June 30, 2004

Note 1: Summary of Significant Accounting Policies: (continued)

D. Assets, Liabilities and Fund Equity: (continued)

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the instruction and support services functional areas exceeded the amounts budgeted.

Note 2: Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were not entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. The District exceeded the maximum deposit amount of \$20,000,000 approved at one financial institution during the period April 19, 2004 through July 2, 2004. The highest daily balance was \$24,924,417.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2004, the District had no investments.

Dubuque Community School District

Notes to Financial Statements

June 30, 2004

Note 3: Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,517,930	\$ 800,060	\$ 259,620	\$ 3,058,370
Construction in progress	3,072,721	1,601,121	-	4,673,842
Total capital assets not being depreciated	\$ 5,590,651	\$ 2,401,181	\$ 259,620	\$ 7,732,212
Capital assets being depreciated:				
Buildings and improvements	\$ 26,416,511	\$ 4,559,055	\$ -	\$ 30,975,566
Land improvements	4,249,227	248,845	157,182	\$ 4,340,890
Furniture and equipment	20,620,491	2,311,561	5,381,159	\$ 17,550,893
Total capital assets being depreciated	\$ 51,286,229	\$ 7,119,461	\$ 5,538,341	\$ 52,867,349
Less accumulated depreciation for:				
Buildings and improvements	\$ 17,449,275	\$ 570,344	\$ -	\$ 18,019,619
Land improvements	2,497,549	219,033	855	\$ 2,715,727
Furniture and equipment	12,136,886	1,272,275	2,975,582	\$ 10,433,579
Total accumulated depreciation	\$ 32,083,710	\$ 2,061,652	\$ 2,976,437	\$ 31,168,925
Total capital assets being depreciated, net	\$ 19,202,519	\$ 5,057,809	\$ 2,561,904	\$ 21,698,424
Governmental activities capital assets, net	\$ 24,793,170	\$ 7,458,990	\$ 2,821,524	\$ 29,430,636
Business-Type Activities:				
Furniture and equipment	\$ 1,085,178	\$ 298,576	\$ 47,072	\$ 1,336,682
Less accumulated depreciation	836,670	57,978	45,763	\$ 848,885
Business-type activities capital assets, net	\$ 248,508	\$ 240,598	\$ 1,309	\$ 487,797

Dubuque Community School District

Notes to Financial Statements

June 30, 2004

Note 3: Capital Assets: (continued)

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$	231,018
Special		18,382
Other		105,420

Support Services:

Student services		10,286
Instructional staff		14,061
Administration		81,890
Operation and maintenance of plant		65,569
Transportation		449,611
Central support services		64,862

Non-instructional programs		1,263
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\$ 1,042,362

Unallocated depreciation 1,019,290

Total governmental activities depreciation expense \$ 2,061,652

Business-type activities:

Food Services

Regular depreciation	\$	57,978
Disposal of equipment adjustment		1,309

Total business-type activities depreciation expense \$ 59,287

Note 4: Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Bond anticipation note	\$ -	\$ 1,320,817	\$ -	\$ 1,320,817	\$ -
Compensated absences	\$ 356,945	\$ 14,546	\$ -	\$ 371,491	\$ 371,491
	\$ 356,945	\$ 1,335,363	\$ -	\$ 1,692,308	\$ 371,491

Dubuque Community School District

Notes to Financial Statements

June 30, 2004

Note 4: Long-Term Liabilities: (continued)

Early Retirement

The District offers voluntary early retirement plans to its certified, administrative, and classified employees. Eligible employees must be at least age fifty-five, must have completed either fifteen or twenty years of service, depending on the employees classification, and the last five years must be consecutive. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is up to 50% of the employee's base salary calculated by using different methods depending on the type of employee. Early retirement benefits paid during the year ended June 30, 2004, totaled \$360,381. The cost of early retirements expected to be liquidated currently are recorded as a liability of the General Fund or the Special Revenue – Management Levy Fund. Early retirement benefits which meet the requirement of Iowa Code 279.46 are paid from the Management Levy Fund and all other benefits are paid from the General Fund.

Revenue Bonds Payable

Details of the District's June 30, 2004 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Anticipation Note		
		Principal	Interest	Total
2005	2.0%	\$ -	\$ 26,416	\$ 26,416
2006	2.0%	\$ 1,320,817	\$ 2,316	\$ 1,323,133
		<u>\$ 1,320,817</u>	<u>\$ 28,732</u>	<u>\$ 1,349,549</u>

The bond anticipation note is secured by the collections of the School Infrastructure Local Option Tax and has an August 1, 2005, due date. The District can borrow up to \$7,000,000 on this note as needed. The bond anticipation note is an interim financing method used by the District to secure financing until the issuance of sales tax revenue bonds takes place. This interim financing is in accordance with Iowa code section 76.13 and is payable from the Capital Projects Fund. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The bond anticipation note was repaid in full on October 1, 2004, using a portion of the proceeds from the issuance of the \$17,000,000 sales tax revenue bonds.

During the year ended June 30, 2004, the District made interest payments totaling \$1,721.

Dubuque Community School District

Notes to Financial Statements

June 30, 2004

Note 5: Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003, and 2002. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$2,692,279, \$2,556,532 and \$2,541,229, respectively, equal to the required contributions for each year.

Note 6: Risk Management

Dubuque Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7: Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$3,233,844 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

Note 8: Lease Commitment

As of June 15, 2004, the District entered into a one-year non-cancelable operating lease for its day-care facility requiring rent of \$20,304. On October 15, 2004, the District extended the lease for one additional one-year term requiring rent of \$20,916. Rent expense for the year ended June 30, 2004, was \$19,716.

Dubuque Community School District

Notes to Financial Statements

June 30, 2004

Note 9: Construction and Other Commitments

On April 13, 2004, the District signed a \$25,011,740 contract for the construction of a new middle school. As of June 30, 2004, \$27,542 of change orders had been deducted from the project. Funding will come from the Capital Projects Fund. As of June 30, 2004, \$1,693,955 had been paid on the contract.

At June 30, 2004, the District also had approximately \$266,996 in commitments related to unfilled purchase orders for goods and services.

Required Supplementary Information

Dubuque Community School District
Budgetary Comparison Schedule of Revenues, Expenditures
and Changes in Balances - Budget and Actual (GAAP Basis)
All Governmental Funds, Proprietary Fund and Fiduciary Funds
Required Supplementary Information
Year ended June 30, 2004

	GAAP Basis						
	Governmental Funds	Actual Amounts Proprietary Fund	Fiduciary Funds	Total	Budgeted Amounts Original	Amended	Final to Actual Variance
Revenues							
Local sources	\$ 41,066,003	\$ 1,932,581	\$ 6,992	\$ 43,005,576	\$ 45,938,462	\$ 45,938,462	\$ (2,932,886)
State sources	41,348,965	43,185	-	41,392,150	42,697,367	42,697,367	(1,305,217)
Federal sources	3,274,481	1,445,654	-	4,720,135	3,755,330	3,755,330	964,805
Total Revenues	\$ 85,689,449	\$ 3,421,420	\$ 6,992	\$ 89,117,861	\$ 92,391,159	\$ 92,391,159	\$ (3,273,298)
Expenditures							
Instruction	\$ 49,558,669	\$ -	\$ 6,153	\$ 49,564,822	\$ 49,368,015	\$ 49,368,015	\$ (196,807)
Support services	24,192,442	-	-	24,192,442	23,936,056	23,936,056	(256,386)
Non-instructional programs	236,125	3,383,859	-	3,619,984	3,107,610	3,857,610	237,626
Other expenditures	10,685,116	-	-	10,685,116	13,894,844	13,894,844	3,209,728
Total Expenditures	\$ 84,672,352	\$ 3,383,859	\$ 6,153	\$ 88,062,364	\$ 90,306,525	\$ 91,056,525	\$ 2,994,161
Excess (deficiency) of revenues over expenditures	\$ 1,017,097	\$ 37,561	\$ 839	\$ 1,055,497	\$ 2,084,634	\$ 1,334,634	\$ (279,137)
Other financing sources, net	1,824,311	-	-	1,824,311	22,100	22,100	1,802,211
Excess of revenues and other financing sources over expenditures	\$ 2,841,408	\$ 37,561	\$ 839	\$ 2,879,808	\$ 2,106,734	\$ 1,356,734	\$ 1,523,074
Balances beginning of year	8,255,407	1,213,260	78,489	9,547,156	10,062,332	10,062,332	(515,176)
Balances end of year	\$ 11,096,815	\$ 1,250,821	\$ 79,328	\$ 12,426,964	\$ 12,169,066	\$ 11,419,066	\$ 1,007,898

See accompanying independent auditors' report.

Dubuque Community School District
Notes to Required Supplementary Information – Budgetary Reporting
Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Appropriations lapse at fiscal year-end and then are reappropriated for the next year, if necessary.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$750,000.

During the year ended June 30, 2004, disbursements in the instruction and support services functions exceeded the amounts budgeted.

Other Supplementary Information

Dubuque Community School District

Combining Balance Sheet

Other Nonmajor Funds

June 30, 2004

	Special Revenue Funds	Debt Service Fund	Total
Assets			
Cash	\$ 2,898,335	\$ -	\$ 2,898,335
Receivables:			
Property tax:			
Delinquent	45,840	-	45,840
Succeeding year	3,996,384	-	3,996,384
Total assets	\$ 6,940,559	\$ -	\$ 6,940,559
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 5,699	\$ -	\$ 5,699
Early retirement payable	769,175	-	769,175
Deferred revenue:			
Succeeding year property tax	3,996,384	-	3,996,384
Other	7,944	-	7,944
Total liabilities	\$ 4,779,202	\$ -	\$ 4,779,202
Fund equity:			
Reserved for student activities	\$ 634,585	\$ -	\$ 634,585
Unreserved/Undesignated fund balances	1,526,772	-	1,526,772
Total fund balances	\$ 2,161,357	\$ -	\$ 2,161,357
Total liabilities and fund balances	\$ 6,940,559	\$ -	\$ 6,940,559

See accompanying independent auditors' report.

Dubuque Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Other Nonmajor Funds

Year ended June 30, 2004

	Special Revenue Funds	Debt Service Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 3,973,201	\$ -	\$ 3,973,201
Other	1,732,330	-	1,732,330
State sources:	23,326	-	23,326
Federal sources:	509,783	-	509,783
Total revenues	<u>\$ 6,238,640</u>	<u>\$ -</u>	<u>\$ 6,238,640</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 1,119,630	\$ -	\$ 1,119,630
Other instruction	1,523,824	-	1,523,824
Support services:			
Student services	48,768	-	48,768
Instructional staff services	26,190	-	26,190
Administration services	580,200	1,721	581,921
Operation and maintenance of plant services	141,106	-	141,106
Transportation services	562,377	-	562,377
Central support services	116,424	-	116,424
Non-instructional programs	57,937	-	57,937
Other expenditures:			
Facilities acquisition	2,165,091	-	2,165,091
Total expenditures	<u>\$ 6,341,547</u>	<u>\$ 1,721</u>	<u>\$ 6,343,268</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (102,907)	\$ (1,721)	\$ (104,628)
Other financing sources			
Sales of property and equipment	489,550	-	489,550
Operating transfers in	-	1,721	1,721
Net change in fund balances	\$ 386,643	\$ -	\$ 386,643
Fund balances beginning of year	<u>1,774,714</u>	<u>-</u>	<u>1,774,714</u>
Fund balances end of year	<u>\$ 2,161,357</u>	<u>\$ -</u>	<u>\$ 2,161,357</u>

See accompanying independent auditors' report.

Dubuque Community School District

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2004

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash	\$ 1,490,566	\$ 640,284	\$ 767,485	\$ 2,898,335
Receivables:				
Property tax:				
Delinquent	20,618	-	25,222	45,840
Succeeding year	1,700,000	-	2,296,384	3,996,384
Total assets	\$ 3,211,184	\$ 640,284	\$ 3,089,091	\$ 6,940,559
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 5,699	\$ -	\$ 5,699
Salaries and benefits payable	769,175	-	-	769,175
Deferred revenue:				
Succeeding year property tax	1,700,000	-	2,296,384	3,996,384
Other	3,571	-	4,373	7,944
Total liabilities	\$ 2,472,746	\$ 5,699	\$ 2,300,757	\$ 4,779,202
Fund equity:				
Reserved for student activities	\$ -	\$ 634,585	\$ -	\$ 634,585
Unreserved/Undesignated fund balances	738,438	-	788,334	1,526,772
Total fund balances	\$ 738,438	\$ 634,585	\$ 788,334	\$ 2,161,357
Total liabilities and fund equity	\$ 3,211,184	\$ 640,284	\$ 3,089,091	\$ 6,940,559

See accompanying independent auditors' report.

Dubuque Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year ended June 30, 2004

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 1,787,790	\$ -	\$ 2,185,411	\$ 3,973,201
Other	11,664	1,587,313	133,353	1,732,330
State sources:	10,755	-	12,571	23,326
Federal sources:	-	-	509,783	509,783
Total revenues	<u>\$ 1,810,209</u>	<u>\$ 1,587,313</u>	<u>\$ 2,841,118</u>	<u>\$ 6,238,640</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 821,502	\$ -	\$ 298,128	\$ 1,119,630
Other instruction	-	1,523,824	-	1,523,824
Support services:				
Student services	48,768	-	-	48,768
Instructional staff services	26,190	-	-	26,190
Administration services	552,722	-	27,478	580,200
Operation and maintenance of plant services	141,106	-	-	141,106
Transportation services	192,075	-	370,302	562,377
Central support services	64,670	-	51,754	116,424
Non-instructional programs	57,937	-	-	57,937
Other expenditures:				
Facilities acquisition	-	-	2,165,091	2,165,091
Total expenditures	<u>\$ 1,904,970</u>	<u>\$ 1,523,824</u>	<u>\$ 2,912,753</u>	<u>\$ 6,341,547</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (94,761)	\$ 63,489	\$ (71,635)	\$ (102,907)
Other financing sources				
Sales of property and equipment	-	-	489,550	489,550
Net change in fund balances	\$ (94,761)	\$ 63,489	\$ 417,915	\$ 386,643
Fund balances beginning of year	833,199	571,096	370,419	1,774,714
Fund balances end of year	<u>\$ 738,438</u>	<u>\$ 634,585</u>	<u>\$ 788,334</u>	<u>\$ 2,161,357</u>

See accompanying independent auditors' report.

Dubuque Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

	Balance June 30, 2003	Revenues	Expenditures	Balance June 30, 2004
Senior High Schools:				
Dubuque Senior	\$ 118,770	\$ 517,601	\$ 478,141	\$ 158,230
Stephen Hempstead	127,079	689,113	682,383	133,809
Central Alternative	18,664	16,255	10,902	24,017
Total Senior High Schools	\$ 264,513	\$ 1,222,969	\$ 1,171,426	\$ 316,056
Junior High Schools:				
Washington	\$ 49,483	\$ 91,462	\$ 85,011	\$ 55,934
Jefferson	51,619	40,487	37,604	54,502
Jones	2,292	1,063	912	2,443
Total Junior High Schools	\$ 103,394	\$ 133,012	\$ 123,527	\$ 112,879
Elementary Schools:				
Audubon	\$ 11,388	\$ 5,696	\$ 4,374	\$ 12,710
Bryant	5,708	16,218	15,004	6,922
Eisenhower	2,165	23,234	23,911	1,488
Fulton	19,087	25,227	27,010	17,304
Hoover	13,342	22,053	18,560	16,835
Irving	11,794	34,487	35,285	10,996
Kennedy	10,964	37,174	32,773	15,365
Lincoln	876	15,683	16,089	470
Marshall	5,020	16,922	12,228	9,714
Prescott	1,667	6,975	5,617	3,025
Sageville	1,342	2,540	2,825	1,057
Table Mound	2,041	14,069	12,482	3,628
Total Elementary Schools	\$ 85,394	\$ 220,278	\$ 206,158	\$ 99,514
Athletic Reserve	\$ 118,469	\$ 9,091	\$ 11,137	\$ 116,423
District Instrumental Music	(674)	1,963	11,576	(10,287)
	\$ 117,795	\$ 11,054	\$ 22,713	\$ 106,136
Grand Total	\$ 571,096	\$ 1,587,313	\$ 1,523,824	\$ 634,585

See accompanying independent auditors' report.

Dubuque Community School District
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund
Year ended June 30, 2004

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash	<u>\$ 9,687</u>	<u>\$ 33,256</u>	<u>\$ 28,032</u>	<u>\$ 14,911</u>
Liabilities				
Accounts payable	\$ 25	\$ -	\$ 25	\$ -
Other payables	<u>9,662</u>	<u>33,256</u>	<u>28,007</u>	<u>14,911</u>
Total liabilities	<u>\$ 9,687</u>	<u>\$ 33,256</u>	<u>\$ 28,032</u>	<u>\$ 14,911</u>

See accompanying independent auditors' report

Dubuque Community School District

Schedule of Revenues by Source and Expenditures by Function

All Governmental Fund Types

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 36,562,089	\$ 28,511,489	\$ 26,263,207	\$ 22,827,624
Tuition	1,236,803	1,430,405	1,459,144	1,275,735
Other	3,267,111	3,584,566	3,263,275	3,872,223
State sources	41,348,965	40,931,161	40,822,487	39,550,245
Federal sources	3,274,481	2,674,714	2,044,411	2,544,275
Total	<u>\$ 85,689,449</u>	<u>\$ 77,132,335</u>	<u>\$ 73,852,524</u>	<u>\$ 70,070,102</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 28,594,425	\$ 26,540,765	\$ 26,438,968	\$ 23,744,225
Special instruction	13,290,321	12,220,711	12,187,040	10,717,714
Other instruction	7,673,923	7,456,799	7,278,739	7,154,626
Support services:				
Student services	3,753,351	3,372,238	3,193,569	2,902,050
Instructional staff services	3,579,280	3,987,323	3,728,985	3,596,061
Administration services	6,465,325	5,737,780	6,016,250	5,822,469
Operation and maintenance of plant services	6,237,741	6,214,273	5,874,324	5,763,114
Transportation services	3,006,514	2,832,057	2,680,612	2,556,339
Central support services	1,150,231	1,026,758	1,146,224	829,242
Non-instructional programs	236,125	221,806	173,418	184,937
Other expenditures:				
Facilities acquisition	7,451,272	4,473,750	2,375,210	1,910,804
AEA flowthrough	3,233,844	3,337,833	3,301,539	3,352,085
Total	<u>\$ 84,672,352</u>	<u>\$ 77,422,093</u>	<u>\$ 74,394,878</u>	<u>\$ 68,533,666</u>

See accompanying independent auditors' report.

Dubuque Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2004

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food distribution (non-cash)	10.550	FY04	\$ 207,456
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY04	\$ 165,613
National School Lunch Program	10.555	FY04	1,072,585
			<u>\$ 1,238,198</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I grants to LEA	84.010	1863-G	\$ 958,042
Title I grants to LEA	84.010	1863-GC	158,632
Title I grants to LEA	84.010	1863-SS	42,123
			<u>\$ 1,158,797</u>
Special Education-Grants to States	84.027	FY04	\$ 7,379
Vocational Education - Basic Grants to States	84.048	FY04	\$ 144,552
Safe and Drug-free Schools and Communities - State Grants	84.186	FY04	\$ 53,479
Even Start	84.213	FY04	\$ 79,068
Iowa Demonstration Construction Grant	84.215	FY03	\$ 351,643
Innovative Education Program			
Strategies (Title V Program)	84.298	FY04	\$ 59,711
Special Education - State Program Improvement			
Grants for Children with Disabilities	84.323	FY04	\$ 18,353
Comprehensive School Reform Demonstration	84.332	FY04	\$ 14,419
Improving Teacher Quality State Grants (Title II Program)	84.367	FY04	\$ 526,193
Grants for State Assessments and Related Activities (Title VI Program)	84.369	FY04	\$ 30,318
Keystone Area Education Agency:			
Special Education - Grants to States	84.027	FY04	\$ 456,077
U.S. Department of Health and Human Services			
Iowa Department of Education:			
Temporary Assistance for Needy Families	93.558	FY04	\$ 3,882
Refugee and Entrant Assistance			
Discretionary Grant	93.576	FY04	\$ 806
U.S. Department of Housing and Urban Development:			
City of Dubuque:			
Community Development Block Grant	14.218	FY04	\$ 19,947
Total			<u>\$ 4,370,278</u>

Dubuque Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2004

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Dubuque Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditors' report.

Independent Auditors' Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Education of
Dubuque Community School District:

We have audited the financial statements of Dubuque Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 15, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Dubuque Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance that is required to be reported under Government Auditing Standards which is described in Part IV-A-04 of the accompanying Schedule of Findings and Questioned Costs. We also noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Dubuque Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dubuque Community School District and other parties to whom Dubuque Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Dubuque Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

JIM KIRCHER & ASSOCIATES, P.C.

Dubuque, Iowa
September 15, 2004

Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control
over Compliance

To the Board of Education of
Dubuque Community School District:

Compliance

We have audited the compliance of Dubuque Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Dubuque Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Dubuque Community School District's management. Our responsibility is to express an opinion on Dubuque Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dubuque Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Dubuque Community School District's compliance with those requirements.

In our opinion, Dubuque Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Dubuque Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Dubuque Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dubuque Community School District and other parties to whom Dubuque Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

JIM KIRCHER & ASSOCIATES, P.C.

Dubuque, Iowa
September 15, 2004

Dubuque Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting.
- (c) The audit did disclose an instance of noncompliance which is material to the financial statements. (See Part IV-A-04.)
- (d) No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - * CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - * CFDA Number 84.027 - Special Education - Grants To States
 - * CFDA Number 84.367 - Improving Teacher Quality State Grants

Clustered Programs:

 - * CFDA Number 10.555 - National School Lunch Program
 - * CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Dubuque Community School District did qualify as a low-risk auditee.

Dubuque Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NONCOMPLIANCE:

One matter of material noncompliance was noted. (See Part IV-A-04.)

REPORTABLE CONDITIONS:

The Dubuque Community School District does not have any reportable conditions for the year ended June 30, 2004.

Dubuque Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

The Dubuque Community School District does not have any reportable conditions for the year ended June 30, 2004.

Dubuque Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-04 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved of \$20,000,000 were exceeded at one financial institution during the period April 19, 2004 through July 2, 2004. The average daily balance during the period was \$22,008,677. The highest daily balance was \$24,924,417 on June 17, 2004.
- Recommendation - Procedures should be established to ensure that maximum deposit amounts are not exceeded eliminating the potential loss of public monies.
- Response - We will develop such written procedures to monitor this area.
- IV-B-04 Certified Budget - Disbursements for the year ended June 30, 2004, exceeded the amended certified budget amounts in the instruction and support services functions.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- IV-C-04 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-E-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-04 Board Minutes - We noted no transaction requiring Board approval which had not been approved by the Board.
- IV-G-04 Certified Enrollment - No variances in the basic enrollment data certified by the Department of Education were noted.

Dubuque Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting: (continued)

- IV-H-04 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-I-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.